[This question paper contains 4 printed pages.]

Your Roll No...............

Sr. No. of Question Paper : 6070 **J**

Unique Paper Code : 2922072402

Name of the Paper : Investment Analysis and Portfolio Management

Name of the Course : **Bachelor of Business Administration (FIA) (NEP-UGCF)**

Semester : IV

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Marks are indicated against the question.
3. No negative marking.
4. All the questions are compulsory

1. (a) Mr. Subhash who is recently married needs Rs. 6 lakhs after two years. Out of various options he has shortlisted two bonds for investment in the preliminary screening. The two bonds which he has shortlisted for investment are a one year bond with 6 % coupon and a three year bond with 10% coupon. How he can immunize himself against price and reinvestment risk if the interest rate in the economy is 8%. (7)

   (b) Mr. Subhash's wife, who is an investment advisor, expects the interest rates to decrease. Her client Mr. Badrinath has an option to invest in either of the two bonds available i.e. bond X and Bond Y. Both the bonds have the same duration and yield to maturity. Bond X has a longer maturity and lower coupon than Bond Y. Which Bond should she advise Mr. Badrinath to buy if she expects the interest rates to increase and why? (7)

(c) Explain the difference between investment and speculation. (4)

OR

1. (a) Value Ltd. has a 10% bond maturing in 4 years and is callable after 2 years at Rs. 115. Par value is Rs. 100. It is currently available at Rs. 105. Calculate nominal yield, current yield, yield to maturity and yield to call. (8)

(b) Which of the following will have longer duration

(i) 6% coupon bond with 10 years to maturity or 6% coupon bond with 15 years to maturity?

(ii) 6% coupon bond with 10 years to maturity or 8% coupon bond with 10 years to maturity?

(iii) 6% coupon bond with 10 years to maturity when market yields are 7% or 6% coupon bond with 10 years to maturity when market yields are 9%? (6)

(c) Explain Porter's five force analysis model for industry analysis. (4)

2. (a) A company is currently paying a dividend of Rs. 10 per share. The dividend is expected to grow at 8% annual rate for two years, then at 10% rate for the next three years, after which it is expected to grow at a 12% rate forever. What price investors should be ready to give this share now and after four years if the capitalization rate is 14%? (8)

(b) Mitsubishi Ltd. paid a dividend of Rs 10 in the previous year. The dividends in the future are expected to grow perpetually at the rate of 6%. Find out the share's price today if the market capitalization rate is 11%. (5)

(c) How an individual's investment strategy may change over his/her lifetime? (5)

OR

2. (a) ABC Ltd paid a dividend of Rs 5 in the previous year. Dividends are expected to be Rs 6 and Rs 7 in the next two years and then grow perpetually at the rate of 6%. What should be paid for the share today if required return is 12%? (6)

(b) Explain the relationship between nominal yield, current yield and yield to maturity for a bond with face value of Rs. 100, if it is available at par, discount and premium. (6)

(c) Explain Dow theory. What is the significance of three types of price movements in Dowtheory? (6)

3. (a) A portfolio manager is considering three portfolios for his client. The first is a mid-cap stock portfolio, the second is a long-term government and corporate bond portfolio and the third is a pure risk free asset portfolio comprising T- bills that yield a rate of 7%. The risk -return characteristics of the risky portfolios are:

	EXPECTED RETURN (%)	STANDARD DEVIATION (%)
STOCK PORTFOLIO	20	28
BOND PORTFOLIO	11	15

The correlation between the returns of the two risky portfolios is 0.10.

(a) Compute the weights/proportions of the stock and equity portfolios in the minimum- variance portfolio formed by combing the two risky portfolios.

(b) What is the expected return and standard deviation of return of the minimum- variance portfolio? (12)

(b) The market return is 15% and the risk-free rate is 5%. Which of the following securities is over/under priced according to CAPM?

SECURITY	BETA	EXPECTED RETURN
A	1.2	20
B	0.8	15
C	1.5	18

(6)

OR

3. (a) An investor is considering the following portfolio to hold:

STOCK	X	Y	Z
Proportion of funds	30%	45%	25%
Alpha	2%	1%	-2%
Beta	1.3	0.8	1.1
Unsystematic Risk (Variance)	16%	4%	6.25%

Assume that the return on the market price index is expected to be 10% & its Standard deviation is 7%. Calculate portfolio β, portfolio return & portfolio risk using an appropriate model. (12)

(b) "Only unsystematic risk can be diversified away". Explain with the help of a diagram. (6)

4. (a) How will you Rank the following portfolio on the basis of Sharpe and Treynor's ratios.

PORTFOLIO	RETURN	STANDARD DEVIATION	BETA
X	20	15	0.9
Y	36	18	1.2
Z	40	20	1.3
Market Index	25	15	1
Risk free rate	6		

(12)

(b) Explain the concept of Asset allocation Pyramid. (6)

5. Write short notes on any 4 of the following : (4.5 x 4=18)

(i) Interest Rate Risk

(ii) SWOT Analysis

(iii) Circuit Filters

(iv) Support and Resistance Levels

(v) Classification of Mutual Funds Schemes by Structure